

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## India

**Post:** New Delhi

### Cotton and Products Update December 2014

**Report Categories:**

Cotton and Products

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**Report Highlights:**

Post's MY 2014/15 production forecast is revised lower to 30.4 million 480 lb. bales. Deficient rains coupled with pest outbreaks indicate yield loss in the state of Gujarat. MSP procurement operations are underway across central and southern India. Exports continue to pick up as India cotton prices remain on par with the Cotlook index due to a weaker rupee while imports remain sluggish.

**General Information:**

Cotton India	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Aug 2012		Market Year Begin: Aug 2013		Market Year Begin: Aug 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	12,000	12,000	11,700	11,700	12,750	12,700
Beginning Stocks	10,869	10,819	11,945	10,978	11,515	10,051
Production	28,500	28,500	31,000	31,000	31,000	30,400
Imports	1,187	1,187	675	675	1,100	1,000
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	40,556	40,506	43,620	42,653	43,615	41,451
Exports	7,761	7,761	9,255	9,261	5,000	6,000
Use	21,850	21,767	23,350	23,341	24,000	24,000
Loss	-1,000	0	-500	0	0	0
Total Dom. Cons.	20,850	21,767	22,850	23,341	24,000	24,000
Ending Stocks	11,945	10,978	11,515	10,051	14,615	11,451
Total Distribution	40,556	40,506	43,620	42,653	43,615	41,451
1000 HA, 1000 480 lb. Bales, PERCENT, KG/HA						

## Production

### Arrivals start picking up as market continues under MSP ruling

On December 28, marketing year (MY) 2014/15 all India cotton arrivals, as reported by the Cotton Corporation of India (CCI), reached 9.9 million 480 lb. bales (12.8 million 170 kg bales/2.17 MMT), 5 percent higher compared to the previous year. Per day arrivals are averaging around 234,000 480 lb. bales (300,000 170 kg bales / 51,000 MT).

State-wise, there is a major lag in arrivals in the central cotton growing states of Gujarat and Maharashtra. Arrivals in Gujarat and Maharashtra are slower by 16 percent compared to the previous year. As reported previously, the slow pace of arrivals has been attributed to factors such as farmer holding, lower cotton quality, the late onset of harvest, weaker demand from the textile sector and farmer disappointment with prices following the record high prices of 2010/11.

### Production Down Slightly on Weaker Yields and Deficient Rains

The FAS Mumbai MY 2014/15 production forecast has been revised lower to 30.4 million 480 lb. bales (38.9 million 170 kg bales / 6.6 MMT). Trade sources indicate yields have dropped in the state of Gujarat with reports of pest outbreaks in the coastal belt affecting the last crop picking and deficient rains in the Saurashtra region (which is responsible for about 70 percent of state production). MY

2013/14 and MY 2012/13 production estimates are unchanged. The cotton yield is forecast at 523 kg per hectare which is slightly lower than the five year average of 526 kg per hectare.

### **Domestic Consumption Forecast Higher as Inventories Grow**

Post's MY 2014/15 consumption forecast has been revised to 24 million 480 lb. bales (30.7 million 170 kg bales / 5.2 MMT). Average monthly consumption from August through October has remained strong at 1.95 million 480 lb. bales (2.5 million 170 kg bales / 425,000 MT).

The Textile Commissioner's office (TCO) revised the monthly cotton consumption for September upwards by 6 percent. Trade sources indicate that mills continue to procure but are limiting themselves to small quantity purchases.

## **Policy**

### **Minimum Support Price (MSP) Operations**

The Cotton Corporation of India (CCI) continues procuring MY 2014/15 seed cotton under minimum support price (MSP) operations in central and southern cotton growing regions. As of December 31, CCI procured almost 2.9 million 480 lb. bales (4.0 million 170 kg bales) with almost 65 percent of the crop procured from the states of Telangana and Andhra Pradesh. In Maharashtra, 851 thousand 480 lb. bales (1.09 million 170 kg bales / 185,000 mt) have been procured by CCI and the state marketing federation. CCI has procured around 507 thousand 480 lb. bales (650,000 170 kg bales/110,500 mt) under MSP operations while the Maharashtra state marketing federation has procured on behalf of CCI another 344 thousand 480 lb. bales (441,000 170 kg bales/75000 mt). There has been limited procurement in other cotton growing regions as arrivals have been delayed and prices have discouraged farmers from delivering cotton to the market. Please note that the 2.9 million 480 lb. bales excludes cotton procurement by the Maharashtra state marketing federation.

Trade sources indicate that CCI may start releasing smaller quantities of stocks at some point in the last two weeks of January.

### **Cotton and Cotton yarn export policy amended**

On December 8, 2014, India's Ministry of Commerce and Industry issued notifications ([Notification No. 102 \(RE-2013\)/2009-14](#)) and ([Notification No. 103 \(RE-2013\)/2009-14](#)) modifying procedures and conditions related to cotton and cotton yarn exports. The new policy removed the requirement that exports be registered with the regional Directorate General of Foreign Trade (DGFT) authorities.

Further, the new policy relaxes export procedures and signals that the Government of India believes that the current cotton supply can satisfy the often conflicting requirements of exporters and the textile industry. Cotton exports are expected to continue without any quantitative limits.

### **Exports continue to pick up, while imports are weak**

Preliminary estimates indicate that the pace of exports accelerated to 780 thousand 480 lb. bales (1 million 170 kg bales / 170,000 mmt) during December, the highest level since April. The Indian currency has depreciated by 5 percent since August and made Indian cotton prices competitive globally. Post forecasts MY 2014/15 exports at 6 million 480 lb. bales (7.7 million 170 kg bales / 1.3 MMT).

Data indicates that exports to Vietnam and Indonesia witnessed large shipments. MY 2013/14 export estimates are revised according to official data.

Post's MY 2014/15 import forecast is lowered to 1.0 million 480 lb bales (1.4 million 170 kg bales). Imported cotton prices are higher than Indian ex-gin prices (see figure 1a) and mills could be

disadvantaged by buying imported cotton.

**Table 1a. India: Estimate of 2013/14 Cotton Exports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb</b>
August Exports 1\	260,571	44,297	203,455
September Exports 1\	132,941	22,600	103,801
October Exports 1\	140,806	23,937	109,942
November Exports 1\	1,915,982	325,717	1,496,006
December Exports 1\	2,460,212	418,236	1,920,943
January Exports 1\	2,055,653	349,461	1,605,062
February Exports 1\	1,419,624	241,336	1,108,448
March Exports 1\	1,308,347	222,419	1,021,562
April Exports 1\	956,671	162,634	746,972
May Exports 1\	661,053	112,379	516,153
June Exports 1\	401,882	68,320	313,791
July Exports 1\	147,647	25,100	115,283
<b>Total Aug-Jul</b>	<b>11,861,388</b>	<b>2,016,436</b>	<b>9,261,418</b>

1\ Official sub-total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

**Table 1b. India: Estimate of 2014/15 Cotton Exports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb</b>
August Exports 1\	99,671	16,944	77,824
September Exports 1\	119,253	20,273	93,113
October Exports 2\	180,000	30,600	140,545
November Exports 2\	710,000	120,700	554,371
December Exports 2\	1,000,000	170,000	780,804
<b>Preliminary Total Aug-Dec</b>	<b>2,108,924</b>	<b>358,517</b>	<b>1,646,656</b>

1\ Official sub-total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

2\ FAS Mumbai estimate

**Table 2a. India: Estimate of 2013/14 Cotton Imports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb</b>
August Imports 1\	107,824	18,330	84,189
September Imports 1\	96,906	16,474	75,664
October Imports 1\	113,382	19,275	88,529
November Imports 1\	55,024	9,354	42,963
December Imports 1\	17,624	2,996	13,761
January Imports 1\	38,959	6,623	30,419
February Imports 1\	41,576	7,068	32,463
March Imports 1\	48,841	8,303	38,135
April Imports 1\	65,582	11,149	51,207
May Imports 1\	59,471	10,110	46,435
June Imports 1\	71,353	12,130	55,713
July Imports 1\	148,218	25,197	115,729
<b>Total Aug-Jul</b>	<b>864,760</b>	<b>147,009</b>	<b>675,207</b>

1\ Official subtotal reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

**Table 2b. India: Estimate of 2014/15 Cotton Imports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb</b>
August	161,735	27,495	126,283
September	329,041	55,937	256,916
October Estimated Imports 2\	191,000	32,470	149,134
November Estimated Imports 2\	135,000	22,950	105,409
December Estimated Imports 2\	50,000	8,500	39,040
<b>Preliminary Total Aug-Nov</b>	<b>866,776</b>	<b>147,352</b>	<b>676,782</b>

2\ FAS Mumbai estimate

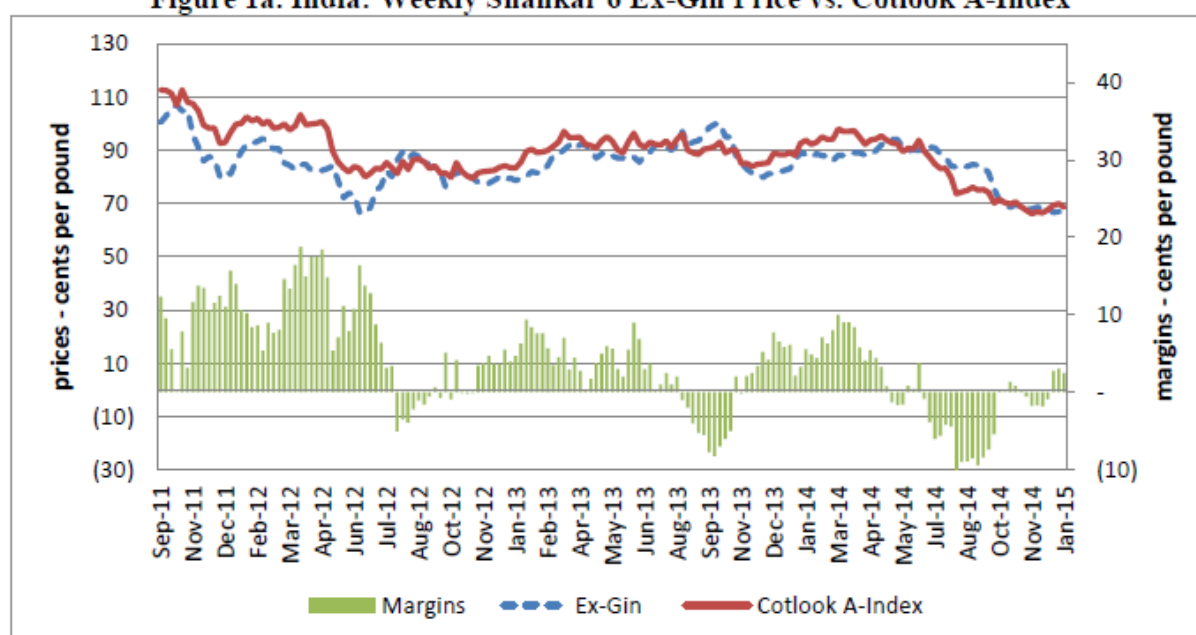
**Table 3. India: Monthly Cotton Consumption by the Textile Sector (Million 170 kg bales)**

Month	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Aug	1.859	2.173	1.864	2.207	2.423	2.440
Sep	1.829	2.143	2.170	2.146	2.370	2.570
Oct	1.812	2.209	1.776	2.185	2.403	2.545
Nov	1.847	2.110	1.834	2.109	2.296	
Dec	1.949	2.257	2.013	2.264	2.516	
Jan	1.954	2.210	2.033	2.330	2.519	
Feb	1.881	2.023	2.030	2.224	2.323	
Mar	2.001	2.176	2.038	2.361	2.507	
Apr	2.053	2.017	2.031	2.322	2.431	
May	2.093	1.864	2.128	2.285	2.439	
Jun	2.071	1.823	2.117	2.251	2.410	
Jul	2.211	1.900	2.213	2.411	2.457	
Loss*	1.700	1.338	0.500	0.783	0.800	1.000
<b>Total</b>	<b>25.260</b>	<b>26.243</b>	<b>24.747</b>	<b>27.878</b>	<b>29.894</b>	

\*Loss estimate from the Cotton Advisory Board

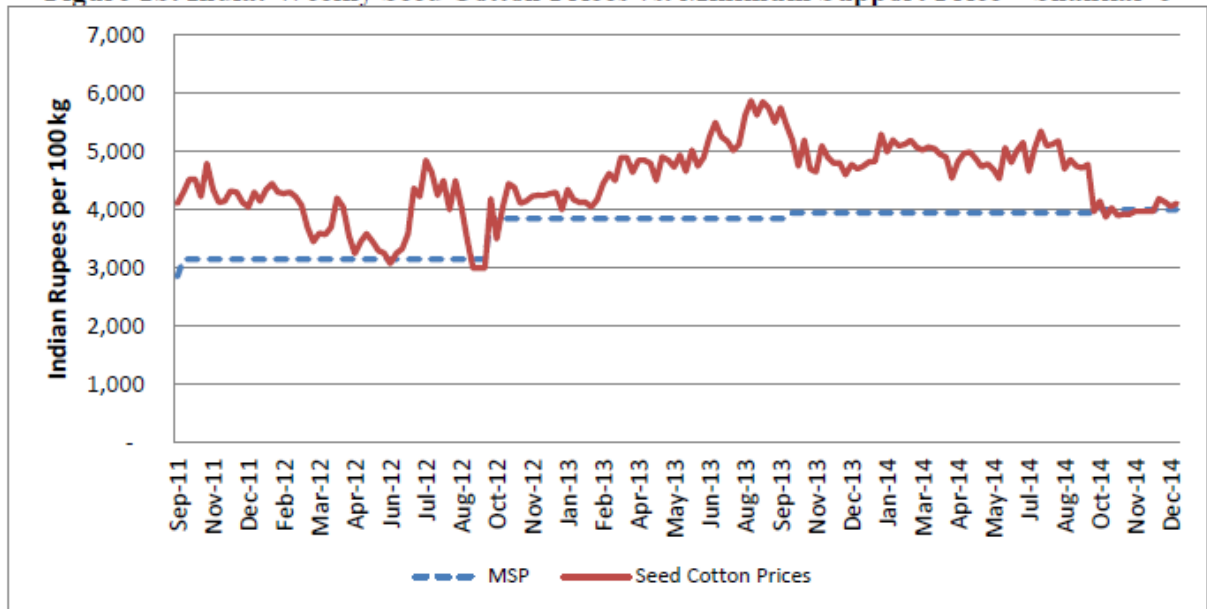
Source: Textile Commissioner

**Figure 1a. India: Weekly Shankar 6 Ex-Gin Price vs. Cotlook A-Index**



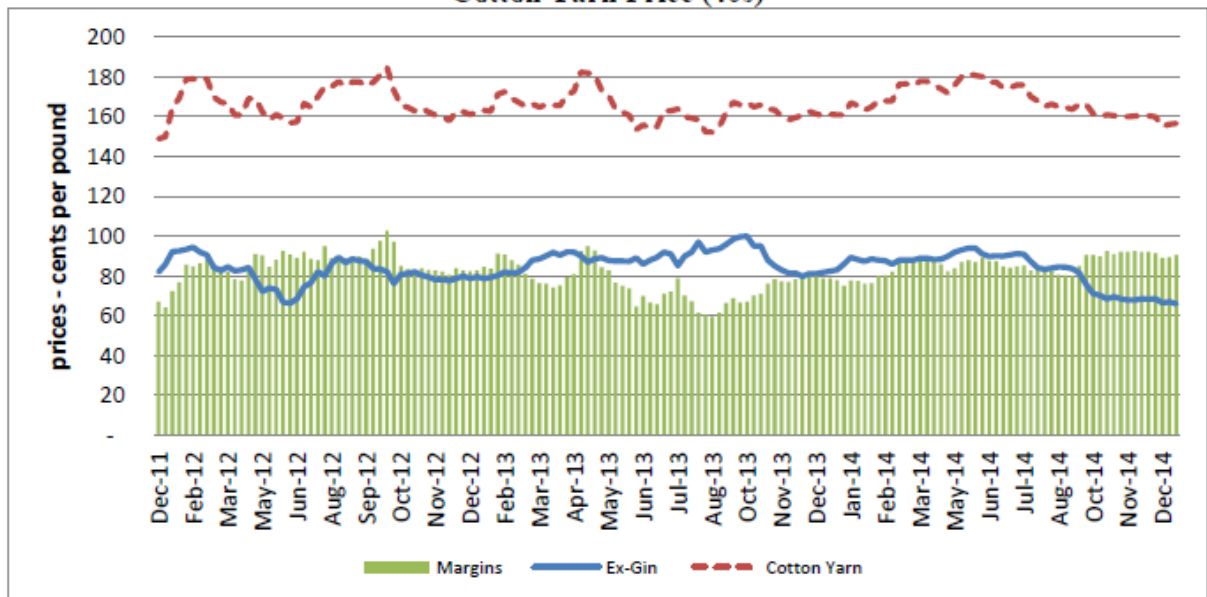
Source: Cotton Association of India  
Cotlook A-Index

**Figure 1b. India: Weekly Seed Cotton Prices vs. Minimum Support Price – Shankar-6**



Source: Agriculture Marketing Information Network, Ministry of Agriculture

**Figure 1c. India: Spinning Margin -- Weekly Shankar 6 Ex-Gin Price vs. Cotton Yarn Price (40s)**



Source: Cotton Association of India  
Tecoya Trend